

MINNESOTA • REVENUE

PROPERTY TAX Homestead Property Tax Exemption for Veterans

February 28, 2005

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 169 (Rukavina) / S.F. 417 (Murphy)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
General Fund	\$0	\$1,020	\$1,070	\$1,130

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

Current Law: A veteran who has a permanent and total service-connected disability due to the loss, or loss of use, of both lower extremities and who has acquired a special housing unit to accommodate the disability, is entitled to have such a homestead classified under class 1b. This classification applies a class rate of 0.45% on the first \$32,000 of market value, instead of the 1.0% rate applied to homesteads without the 1b classification.

Proposed Law: The bill adds a full exemption from property tax for homesteads of veterans who are 100% disabled as a result of a service-connected disability. The exemption extends to surviving spouses of these veterans. The bill also deletes language in existing law that provides for a 1b disabled class for permanently and totally disabled veterans in specially adopted housing units.

REVENUE ANALYSIS DETAIL

- According to the Minnesota Department of Veterans Affairs, there are approximately 3,735 fully-disabled veterans in Minnesota. It was assumed that about 2,800 are homeowners and would qualify for the proposed homestead property tax exemption.
- Although the exemption would result in some shift of property tax to other types of property, the main impact would be the elimination of property tax refunds for the disabled veterans.
- It was assumed that 75% of the veterans qualifying for the exemption are eligible for the property tax refund under current law and receive an average refund of \$500. With a full property tax exemption, these refunds would no longer be paid, resulting in a savings to the state general fund.
- A 5% annual growth rate is assumed.

Number of Taxpayers: An estimated 2,800 disabled veterans in Minnesota.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy